

Q&A

Brands must target digital strategies to local culture in Japan

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L2's recent report on the Japanese and South Korean luxury markets emphasizes the need for brands to use digital strategies and local platforms to appeal to consumers.

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In Japan, it is particularly important for brands to focus on establishing loyalty with consumers who are already familiar with their products and have perhaps begun to form relationships. Additionally, tailoring digital strategies to local platforms can help increase awareness and make it easier for Japanese consumers to purchase products.

"It is acknowledged that digital is important for the luxury vertical at this point, but a lot of people are hesitant to invest a lot of money into it," said Andy Patrick, research associate at L2, New York. "One way to push brands to use digital is to make them see what their competitors are doing.

"L2's report gives a comprehensive view of what brands in the same vertical are doing. It makes brands realize that what they're doing isn't necessarily enough," he said. "There is so much room for improvement. Even being behind for one year will affect sales in the future because it's so hard to catch up in digital."

In this Q&A, Mr. Patrick will explain the current state of the Japanese luxury market and how digital and mobile strategies can best be implemented.



L2's Andy Patrick

Here is the dialogue:

What are the most important differences between the South Korean and Japanese markets?

Generally the most important difference is that Japan is a mature luxury market and South Korea is an emerging one.

These luxury brands have been a staple to Japanese people since the '80s. You can tell by the number of stores that they have in Japan how popular they are and how long they have been in that country for, whereas in Korea it's a fairly new thing.

How are the cultures similar in their views on luxury?

They have a very similar culture, but Japan has had more time with it. A lot of the strategies that would work in South Korea might not work in Japan anymore.

An example would be product placement in TV. There's already an image established in Japan for all these brands, whereas in Korea some people aren't aware of them yet, and the brands have an opportunity to create a niche market within that country.

What are some strategies that would work in Japan and not South Korea?

Because Japan is a mature market, people already have a sense of loyalty to these brands. So any sort of customer service or loyalty program would be more effective in Japan than in South Korea.

How does social media play into the Japanese market?

Social media in Japan is a fairly new idea. Japanese people tend to be very private and anonymous with their social media, which is why Twitter is so popular in Japan. Japanese people tend to shy away from social media where all their information is shown.

What's popular now in Japan is a social media application called Line, which is a messaging service. It's the main way people text. Japanese people are comfortable with having a social network revolving around messaging since their network will consist of their immediate contacts.

Some brands are experimenting with having customer service features integrated into the app. They started doing social commerce. They have Line Pay now; they have Line Taxi. It's becoming a lifestyle app that Japanese people are using. It's almost going beyond social media. Brands need to invest in this so they can be part of the consumer's life.

How can brands use the culture of a country to appeal to consumers?

The loyalty culture is huge. It's really ingrained in the Japanese culture, whether it's gift wrapping or having a full customer experience as soon as you enter the store until you leave. Translating that to digital has been one of the biggest challenges for Japan.

Some luxury brands have been doing in-store pick-ups, where you can order online and pick up in-store. A lot of times it's helpful to have local events that people can go to in order to feel like they're part of this brand community.

Or even having loyalty points, such as Lacoste and Tommy Hilfiger do, based on what you purchase online or in-store. You can earn points that you can later use to purchase more products or sometimes get exclusive products you wouldn't normally have access to.

How does using local platforms affect competition between brands? What are brands that don't have local platforms missing out on?

The brands that don't have local platforms are risking being forgotten about. If they don't have stores or even local Web sites, they can become completely irrelevant to the Japanese consumers even if the brands are hyped up globally.

One example is Kenzo, which is a Japanese designer brand that has a home base in Paris. It was popular in the '80s, but since Kenzo's recent re-launch, it doesn't have the wide appeal that it was once had. The brand has no online presence in Japan.

What do you see as the future for the Japanese luxury market?

I think with Japan it comes down to Line. The people who are going to have the spending money to buy these luxury brands in the future are in their teens and early twenties now. It's better to target them now so they develop brand loyalty when they're young and brands can guarantee having these sales in the future.

Because Line is used as the main communication tool, at this point people who don't have Line are seen as being really outdated. There's no way to get around it. People are committed to Line now, because it is the main form of communication. Older generations use it at lower rates, but it is slowly catching up.

How can brands use ecommerce to connect with consumers?

Especially with luxury brands, a lot of people might be intimidated to even go into the store. Ecommerce allows people to be a little more aspirational.

Also, ecommerce allows brands to scale their audience. They can carry lines that are a little less expensive without compromising their brand image.

What are some obstacles that brands face when entering the Japanese luxury market?

A lot of these brands don't have local Web sites, and it's really important for brands to have sites with the local language on them. Even though English is taught as a second language, it doesn't really resonate.

People don't really speak English that well in Japan (or South Korea). It's difficult to produce localized content, but it does go a long way. That's one of the biggest challenges that they face. It usually means they have to hire a team in the local country.

There's a lot of investment that needs to be done when you're entering these markets. It's not like the European Union where they have this EU identity, and you can just translate all of the content into specific languages.

For Korea and Japan, American and British content is not going to appeal; you have to create new content, especially in South Korea due to the fact that it is an emerging market. It takes a really long time to build these local sites, and since South Korea only came into the market in the last four or five years, brands are still struggling to catch up.

How can brands market to Chinese tourists?

They could have a Chinese language option on a South Korean or Japanese Web site, so Chinese consumers can order through South Korean or Japanese customs.

In Japan some department stores have started accepting Chinese credit cards. That's one way they can cater to the large amounts of Chinese tourists. That's a way brands can increase Chinese traffic.

Final Take

Kay Sorin, editorial assistant on Luxury Daily, New York

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